

Identification of the Area

Name or Designation: **Area 36: West Duwamish**

Boundaries:

Northern: Harbor Island

Eastern: Harbor Island and Duwamish River to the Boeing Access Rd., then along Lake Washington at S. Graham St. South to SE 1-23-4 Perry St. and the Eastern boundary of Section 3-23-4 and 12-23-4 to 134th St. S.

Western: W. Marginal Way and Pacific Hwy S.

Southern: 134th St. S. in Tukwila & Martin Luther King Jr. WY S. to the Northern city limits of Renton.

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

Area 36 has been divided into seven neighborhoods spanning two municipalities as well as a neighborhood in Unincorporated King County and is generally distinguished by zoning jurisdiction and geographic market area. The values in the area increased by 5.9% overall with Port of Seattle, schools and churches increasing the most. The following is a brief description of each.

Area 36-10

This is the Skyway neighborhood is in unincorporated King County. Commercial uses are primarily retail, service and apartment. This is an area of low commercial and retail uses with few national retailers or service providers. Retail in Skyway is highly depressed with many vacancies and changes of use to lower uses. Storefronts are occupied for nominal rents by small service providers, i.e. nail shops, sewing shops, thrift shops, imported goods stores, foreign video shops, etc. Sales indicated small increases in retail use. Area 36-15

This is Harbor Island which is a Federal "Superfund" site. Predominant use is changing from heavy industrial to container shipping. The Port of Seattle is the only player active in this market. The redevelopment of Terminal 18 is being expanded. New rail and truck access has

and is being built and the whole center of the island is being remediated for contamination. A small increase was made reflecting surrounding market forces and the market pressure on close-in industrial sites. Almost all parcels are experiencing contamination liabilities which negatively affects total land value.

Area 36-20

This is the industrial area around Harbor Island and reflects non-“Superfund” land values. It was extended last year to include the Northerly part of what used to be Neighborhood 40. The proximity to Harbor Island and the Duwamish Waterway stigmatized these surrounding properties for many years, depressing their value. The Port is also the primary player here also but not the only one. The land use is changing from industrial with minor retail to mostly Port related activities. This neighborhood contains the Port’s largest and newest facility, APL’s Terminal 5 as well as much heavy industrial activity.

Area 36-40

This is the industrial neighborhood of South Park. Primary use is industrial with some retail. There is a great variety of industrial and warehouse use here. Sales were the most numerous in this neighborhood and indicted increases, especially in warehouses. Demand for close-in warehouse space remains high with limited availability.

Area 36-50

This is the neighborhood adjacent to neighborhood 70 to the South and Area 40 to the North. It is the neighborhood in the Rainier Valley with the highest vacancies and most abandoned buildings. It is in between Columbia City and Rainier Beach and is populated by small, sole proprietorship businesses. Typical businesses include auto service, convenience stores, nail shops and food services.

Area 36-70

This neighborhood is the Rainier Beach neighborhood. It has been economically depressed in past years but is showing signs of rebirth. A new retail complex is being developed for Safeway and the Washington State Liquor Store. QFC did a major remodel of a grocery store. Rite-Aid has moved in with a large new store, the former Lake Washington Shores housing project has been rebuilt, a new office building has been constructed and the McDonald’s has been rebuilt after a fire. These are signs that the market may be improving.

Area 36-80

This area is a small pocket of industrial use that is not contiguous with other industrial areas. It is somewhat isolated by I-5 and the Boeing Access Road. It is related however to the nearby

South Seattle industrial market so rates are derived from South Park, South Seattle and Tukwila which are comparable neighborhoods. The entire neighborhood tends to be owner-occupied so rents are non-existent. This neighborhood was physically inspected for the 2003 revalue.

Area 36-90

This is an area of warehouses and industrial parks along the Duwamish River as it flows into Tukwila from South Park and terminates at 134th St. S. This neighborhood has newer industrial park type development as well as older industrial sites. The Sabey Corporation has developed the Intergate III High Tech Office/Industrial Park in what was the old Boeing military complex. New buildings are also being built on the site, which has expanded west, to Tukwila International Blvd and north to 128th St. Group Health has developed its new corporate headquarters here and there is room for more expansion. This neighborhood was physically inspected for the 2003 revalue.

Preliminary Ratio Analysis

A Preliminary Ratio Study was completed just prior to the application of the 2003 recommended values. It included 25 sales. This study benchmarks the current assessment level using the 2002 posted values. For commercial properties the International Association of Assessment Officer's "Ratio Study Performance Standards" are strictly observed. This includes the measures of central tendency (.90 – 1.10), the Coefficient of Dispersion (less than 15.0) and Price Related Differential (.98 – 1.03). A visual representation of this information and more is displayed in the Model Validation section of this report. The study was also repeated after the application of the 2003 recommended values. The results from the "after" study are also displayed in the Model Validation section of this report.

Scope of Data

Land Value Data:

Twenty-one sales occurring between 2/00 through 6/02 were given primary consideration for valuing land which indicates a range of \$2.70 to \$14.88 per square foot for industrial zoning and \$7.72 to \$14.43 for commercial zoning. The majority of sales indicate values have not risen since the last revalue. This is primarily an owner-user market and not an investor's market. Therefore the market is use-driven instead of investment-driven. Useable area, expansion potential, contamination control and industrial zoning are factors that influence this market and impact the valuations.

Improved Parcel Total Value Data:

Improved sales from 2/00 through 1/03 were given primary consideration for establishing total value estimates. Sales information is obtained from excise tax affidavits and reviewed initially by

the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides in the Assessor’s procedure manual located in the Public Information area of the King County Administration Building.

Land Value

Land Sales, Analysis, Conclusions

Neighborhood 36-15

The land sales in neighborhood 15, all to the Port of Seattle, do not reflect land value because each transaction included payment for intangible services. These included, relocation expenses, improvements to the new location, purchase of the business, premiums for takings, indemnification for contamination liability and compensation for hardship. The financial value of these services was not easily isolated; therefore attempts to determine adjustments to these sales were unsuccessful. This neighborhood is a Federal “Superfund” site and valuation considers the impact of contamination. The Port is the only active participant in this market. Except for Todd Shipyards, **Pendleton Flour** Mills, a business park and the tank farms, Harbor Island is almost completely owned by the Port. The land is comparable to the Duwamish Waterway in that industrial and shipping use is quite similar. Large parcels prevail and waterway frontage is required. Nearby waterway and water access sales in neighborhoods 36-40 and 36-20 have been considered. Values as contaminated are in the \$9 to \$10/sf range for the whole island. Tidelands, also contaminated, are valued at \$4.50 per square foot.

Neighborhood 36-20

There are six sales in this neighborhood that tightly bracket previous values. The cleanup of the Western shore of the Duwamish Waterway for the APL Terminal 5 development has created market interest and we are now seeing sales. Indicated values are in the \$7 to \$13/sf range. Sales from surrounding neighborhoods with industrial use were also considered.

Neighborhood 36-40

Neighborhood 40 is the largest and there were seven land sales. This neighborhood is the South Park industrial and commercial areas. Sales represent a range of \$2.70 to \$14.88/per sq. ft. Values are generally higher to the north because of proximity to the city. There is now good availability of properties in this neighborhood and much land being offered for sale. There is also little interest in the current economy.

Neighborhood 36-10, 50, 70, 80

Neighborhoods 10, 50, 70 and 80 have only seven land sales. An attempt to review sales from surrounding neighborhoods was made. Areas 35, 40 and 70, which are adjacent, have very few sales that are comparable to the properties in neighborhoods 10, 50 & 70. The six sales indicate a range of \$3.65/sf to \$14.43/sf. Higher sales seem to indicate prime commercial locations for retail use. The majority of market information appears to indicate static land values in these areas. Commercial values in neighborhoods 50 and 10 have been static for many years because of a dearth of market activity. Neighborhood 70 has some activity around the Rainier Beach retail area. Neighborhood 80 is industrial and has one land sale.

Neighborhood 36-90

Sales in neighborhood 90 with C/LI (Commercial/Light Industrial) zoning indicate a static market. This is an area that has a high-end industrial park with class "A" office space, a newly refurbished high tech park and the newly constructed Group Health Campus. Market action in this area is positively influenced by these properties. The two sales indicated a range of \$3.46 to \$8.63.

The total assessed land value in Area 36 for the 2002 assessment year was \$727,809,800 and the 2003 total recommended assessed land value is \$749,947,500. Application of these recommended values for the 2003 assessment year (taxes payable in 2004) results in an increase of 3.04%.

A list of vacant sales used and those considered not reflective of market are included in the following sections.

Vacant Sales Used

Area	Nbhd.	Major	Minor	Land Area	E #	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
036	010	023200	0010	9,400	1743151	\$50,000	03/24/00	\$5.32	VACANT	BC	1	2	
036	020	182404	9018	128,755	1807144	\$1,400,000	03/23/01	\$10.87	DRUMMOND LIGHTERAGE	IG1U/85	1	2	
036	020	192404	9049	29,747	1882337	\$442,000	04/29/02	\$14.86	SINGLE FAMILY	IG2U/85	1	2	
036	020	192404	9073	34,408	1746325	\$335,000	04/05/00	\$9.74	SPLIT ZONING	IG2U/85	4	2	
036	020	754730	0570	6,500	1764878	\$70,000	07/13/00	\$10.77	VACANT	IBU/85	2	2	
036	020	754780	0565	7,571	1736840	\$100,000	02/09/00	\$13.21	AUTO WRECKING YARD	IG2U/85	1	2	
036	020	754780	0575	30,406	1736842	\$400,000	02/10/00	\$13.16	AUTO WRECKING YARD	IG2U/85	4	2	
036	040	218500	1075	5,193	1894176	\$57,500	06/21/02	\$11.07	SFR	CG	1	2	
036	040	292404	9104	104,100	1831120	\$1,200,000	07/17/01	\$11.53	B & G AUTO WRECKING	IG2U/65	1	2	
036	040	302404	9111	83,200	1776820	\$225,000	09/14/00	\$2.70	VACANT LAND	GBIGU/*	1	2	
036	040	687120	0675	27,595	1872970	\$250,000	03/08/02	\$9.06	STORAGE YARD	IG1U/65	1	2	
036	040	732790	0340	10,000	1851905	\$125,000	11/12/01	\$12.50	VACANT LOT	IG2U/65	1	2	
036	040	732790	0725	4,100	1750716	\$41,000	04/01/00	\$10.00	VACANT LAND	IBU/45	1	2	
036	040	788360	8623	6,250	1802577	\$93,000	02/25/01	\$14.88	B & W FEED WHSE	IG2U/65	1	2	
036	050	573350	0025	4,851	1895833	\$70,000	06/21/02	\$14.43	VACANT	L3	1	2	small parcel, only sale in neigh.
036	070	426570	0085	8,400	1851637	\$65,000	11/01/01	\$7.74	VAC LD	C140	2	2	
036	070	712930	4390	5,775	1821243	\$80,000	05/14/01	\$13.85	USED CAR LOT	C140	1	2	
036	070	712930	4715	4,725	1757702	\$36,500	06/02/00	\$7.72	VACANT LOT	NC140	1	2	
036	070	807000	0065	5,076	1822758	\$55,000	05/21/01	\$10.84	VACANT	NC140	1	2	
036	090	042304	9114	214,316	1843161	\$1,850,000	09/18/01	\$8.63	BOULEVARD EXCAVATING	MH	3	2	
036	090	092304	9292	54,885	1802678	\$200,000	02/22/01	\$3.64	VACANT LAND	MH	1	2	

Improved Parcel Total Values:

Sales comparison approach model description

The geographic area is similar in use, which is primarily owner-occupied warehouse use. These warehouses are used for distribution, light manufacturing, storage, shop areas and open office areas. Typical Land to Building Ratio is 2:1. This maximizes highest and best use for this type of property as indicated by the market. Excess land calculations were applied to approximately 16% of the improved properties. Age and utility are the biggest influences on sales prices for a given use and are reflected in the valuations. Generally, quality is on the low side with year built of the improvements ranging from 1900 to the present with fairly even distribution.

Sales ranges are \$33 to \$144 per sq. ft. for warehouse types, \$55 to \$200 per sq. ft. for office buildings and \$55 to \$152 per sq. ft. for retail. At the low end were older properties with less utility to the land and improvements. The warehouse buildings are generally of poorer quality and condition in comparison with the East side of the Duwamish (Area 35). At the high end are newer properties that represent greater utility, efficiency, quality of construction and appearance. The retail and office markets are not of great significance in neighborhoods 15, 20, 40 and 80. They tend to be secondary and support the warehouse type uses. The retail areas, Neighborhoods 10, 50 and 70, tend to be older construction without much updating. The vast majority of the businesses are small sole proprietorships with a scarcity of national chains. There are single-street; three to six block long retail areas in South Park, Rainier Beach and Skyway. These areas tend to have high vacancy and low rents because the primary retail activity has moved elsewhere and there is not a varied mix of available goods and services to draw customers.

Sales in neighborhood 36-40 were the most numerous. Sales in the other neighborhoods did not represent all property types. Sales were used to support income and cost approaches to value.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Cost estimates were relied upon in almost every instance of exempt properties including schools, churches, fire stations and public utility buildings, and serves also as value indicators for new construction projects.

Cost calibration

The Marshall & Swift cost modeling system built in to the Real Property Application is calibrated to the region and the Seattle area.

Income capitalization approach model description

Three basic models were developed for income capitalization; those being retail, office and warehouse. Income tables were developed and applied to the population. Examples are contained in the addenda.

Income approach calibration

The models were calibrated after setting base rents by using adjustments based on size, effective age, construction class and quality as recorded in the Assessor's records. The majority of the properties in this area were valued utilizing the income approach. Income tables (in addenda) were developed from market surveys and studies and then applied to property data. Capitalization rates and expenses were taken from the market. Approximately 16% of the improved properties required an excess land calculation above a 2:1 land to building ratio. The income model assumes a land to building ratio based on the market. The calculation is performed by calculating the income value and then taking all land area in excess of the ratio, valued at the market rate, and adding it to the total value.

The predominant property type is warehouse, which includes distribution, light industrial and storage warehouses, storage buildings of all types, service buildings, utility buildings and machine shops. Rents are lowest for older properties in poor condition. Rents are @ \$2.00/sqft for poor quality and increases up to \$3.60 to \$6.00/sqft for average buildings of all ages. Warehouses with excellent building quality are non-existent and good quality is very rare. The vast majority of rents fall into the average and low-cost qualities. Capitalization rates for these properties also reflect their risk, being higher for older, poor quality buildings (10%) and lower for newer, better quality (8.5%).

Income tables were developed to represent each neighborhood in the area for direct income capitalization. Tables created were for all warehouse, light industrial, service, storage, shop, retail, restaurant/tavern and office uses. A "No Income" table was also created to include those properties where the income approach is not applicable such as: exempt properties including schools, fire stations, churches and public utility buildings and for those special use properties where no income information exists.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

All parcels were individually reviewed by the area appraiser for correctness of the model application before final value selected. Each appraiser can adjust any or all of the factors used to establish value by the model. The market rents as established by the income model were used as a guide in establishing the market rental rates used. The market rental rates applied vary somewhat but falls within an acceptable range of variation from the established guideline. Final value selects were reviewed by the Senior Appraiser before posting. Application of the recommended values improves all the standard statistical measures of valuation performance.

Model Validation

Total Value Conclusions, Recommendations and Validation:

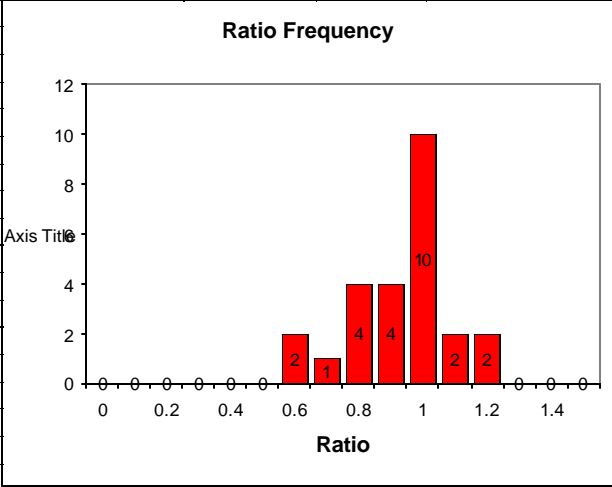
Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust of particular characteristics and conditions as they occur in the valuation area.

Application of the total Value Model described above results in improved equity between properties as evidenced by the improvement of the COD from 12.96% to 4.34%. In addition the resulting weighted mean level is 94.2% from 85.5%. The price related differential is 1.02 from 1.04. The standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2002 and 2003 Ratio Analysis charts included in this report.

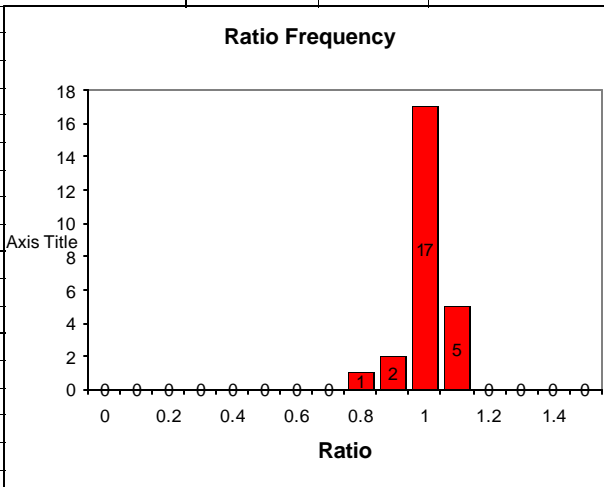
The total assessed value for Area 36 for the 2002 assessment year was \$1,375,148,120 and the total recommended values for the 2003 assessment year total \$1,473,604,720. Application of these recommended values for the 2003 assessment year (taxes payable in 2004) results in a total change from the 2002 assessments of +7.16% for all of Area 36.

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the appropriate district office.

Present Improvement Ratio Calculation for Area 36

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
Central Crew	1/1/2002	2/20/2003	2/10/00 - 01/15/03
Area	Appr ID:	Prop Type:	Trend used?: Y / N
36	AHAS	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	25		
Mean Assessed Value	1,315,500		
Mean Sales Price	1,539,300		
Standard Deviation AV	2,038,907		
Standard Deviation SP	2,170,865		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.887	<p>Axis Title</p> <p>These figures reflect 2002 assessment levels against current sales.</p>	
Median Ratio	0.968		
Weighted Mean Ratio	0.855		
UNIFORMITY			
Lowest ratio	0.5534		
Highest ratio:	1.1446		
Coefficient of Dispersion	12.96%		
Standard Deviation	0.1553		
Coefficient of Variation	17.52%		
Price-related Differential	1.04		
RELIABILITY			
95% Confidence: Median		<p>These figures reflect 2002 assessment levels against current sales.</p>	
Lower limit	0.812		
Upper limit	0.992		
95% Confidence: Mean			
Lower limit	0.826		
Upper limit	0.947		
SAMPLE SIZE EVALUATION			
N (population size)	725		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1553		
Recommended minimum:	37		
Actual sample size:	25		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
# ratios below mean:	11		
# ratios above mean:	14		
z:	0.4		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Merge Improvement Ratio Calculation for Area 36

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
Central Crew	1/1/2003	2/20/2003	2/10/00 - 01/15/03
Area	Appr ID:	Prop Type:	Trend used?: Y / N
36	AHAS	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	25		
Mean Assessed Value	1,450,700		
Mean Sales Price	1,539,300		
Standard Deviation AV	2,086,652		
Standard Deviation SP	2,170,865		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.965	These figures reflect the 2003 recommended assessment levels against current sales.	
Median Ratio	0.981		
Weighted Mean Ratio	0.942		
UNIFORMITY			
Lowest ratio	0.7180		
Highest ratio:	1.0693		
Coefficient of Dispersion	4.34%		
Standard Deviation	0.0687		
Coefficient of Variation	7.12%		
Price-related Differential	1.02		
RELIABILITY			
95% Confidence: Median		These figures reflect the 2003 recommended assessment levels against current sales.	
Lower limit	0.968		
Upper limit	0.994		
95% Confidence: Mean			
Lower limit	0.938		
Upper limit	0.992		
SAMPLE SIZE EVALUATION			
N (population size)	725		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0687		
Recommended minimum:	7		
Actual sample size:	25		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	7		
# ratios above mean:	18		
z:	2		
Conclusion:	Non-normal		
*i.e., no evidence of non-normality			

Improvement Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
036	010	023100	0025	7,500	1776880	\$425,000	09/14/00	\$56.67	BEST HARDWARE	BC	1	2	
036	010	023100	0030	5,050	1891732	\$280,000	06/11/02	\$55.45	J & S SEWING & HOUSEWARES	BC	1	2	
036	010	758020	0255	1,190	1915777	\$237,999	10/11/02	\$200.00	ROYAL KEY REALTY	BC	1	2	
036	020	536720	2506	80,000	1918805	\$10,300,000	10/28/02	\$128.75		IG1 U/8	1	2	
036	020	754730	0667	10,178	1877368	\$750,000	03/22/02	\$73.69	FRASER BOILER SVC	IG2U/85	2	2	
036	020	798740	0060	10,070	1774669	\$580,000	09/01/00	\$57.60	ZANDT BRASS FOUNDRY	IG2U/85	1	2	
036	040	292404	9006	10,200	1934124	\$3,712,000	01/15/03	\$363.92	RYDER TRANSPORTATION	IG2U-65	1	2	
036	040	562420	0210	42,240	1897936	\$2,925,000	07/16/02	\$69.25	PURE WATER CORP	MH	1	2	
036	040	732790	1425	6,664	1894883	\$325,000	06/27/02	\$48.77	WRIGHT MACHINE INC	IBU/45	1	2	
036	040	732790	5235	4,846	1762044	\$325,000	06/29/00	\$67.07	WAREHOUSE & OFFICE	IG1U/65	1	2	
036	040	788360	0600	4,770	1736942	\$670,375	02/10/00	\$140.54	U S DISPOSAL	IGU/45	1	2	
036	040	788360	7565	4,040	1872868	\$245,000	03/07/02	\$60.64	RETAIL/APTS	NC340'	1	2	
036	040	788360	8656	3,834	1862724	\$210,000	01/07/02	\$54.77	CLOVERDALE CLINIC	NC340'	1	2	
036	050	333300	1610	4,896	1877505	\$412,000	03/28/02	\$84.15	AUTO REPAIR	C140'	1	2	
036	050	352404	9012	2,400	1784657	\$300,000	10/30/00	\$125.00	RANY FOOD MART	NC240'	1	2	
036	050	381240	0010	8,858	1873440	\$625,000	03/15/02	\$70.56	MULTI-TEN OFC/RET	BN	2	2	
036	050	512900	0005	10,186	1925217	\$1,550,000	11/26/02	\$152.17	RETAIL STORES	NC130	2	2	
036	070	212470	0175	4,184	1786547	\$175,228	11/13/00	\$41.88	HUDSON ELECTRICAL CONTR	C240'	1	2	
036	070	508740	0265	21,500	1797744	\$1,300,000	01/19/01	\$60.47	SAFEWAY	C140'	1	2	
036	080	032304	9220	24,000	1823938	\$1,916,666	06/13/01	\$79.86	G I C	IG2U/65	2	2	
036	080	032304	9221	60,448	1901516	\$4,025,000	07/22/02	\$66.59	DIETZGEN	IG2U/65	1	2	
036	090	032304	9198	8,500	1821394	\$893,072	05/30/01	\$105.07	NICEWONGER	MH	1	2	
036	090	042304	9148	22,500	1902383	\$1,800,000	08/06/02	\$80.00	MACDONALD MILLER MECHANICAL	MH	1	2	
036	090	092304	9152	24,271	1813312	\$3,500,000	04/24/01	\$144.21	TRIAD MACHINERY	MH	1	2	
036	090	334740	1330	30,236	1749328	\$1,000,000	04/26/00	\$33.07	UNION TANK WORKS		2	2	